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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

July 17, 2007

The Honorable Ben S. Bernanke
Chairman
Federal Reserve Board
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Sheila Bair
Chairman
The Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable John C. Dugan
Comptroller
Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

The Honorable John M. Reich
Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Dear Chairman Bernanke, Comptroller Dugan, Chairman Bair, and Director Reich:

As Chairman and Ranking Member of the Senate Committee on Banking, Housing and Urban Affairs, we have been following closely the development and implementation of the Basel II Capital Accord (Basel II). We understand that you have been working together to finalize the regulations that will implement Basel II. We both believe strongly that the decisions you take in the next few days will have a significant impact on both the safety and soundness and the competitiveness of the U.S. financial system.

History has taught us that adequately capitalized banks are in the best interest of the nation. They are better positioned to weather unexpected economic shocks, thereby protecting American taxpayers from costly bank bailouts, and they enhance the competitiveness of U.S. banks by guarding against undercapitalized institutions.

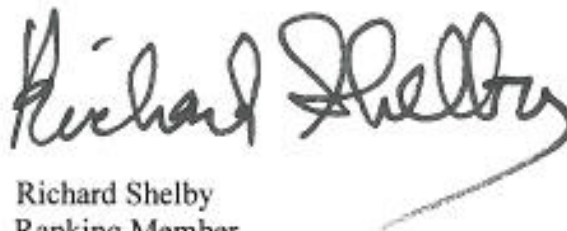
Because Basel II will have a significant and long-term impact on our financial system, we believe that it is imperative that all four federal banking regulators support the final Basel II regulations. Therefore, we urge you to continue your work with the goal of reaching a consensus as soon as practicable.

We look forward to working with you on this very important issue.

Sincerely,



Christopher Dodd
Chairman



Richard Shelby
Ranking Member